EAST MALARTIC MINES LIMITED

(no personal liability)

Annual Report

For the year ended December 31, 1973

EAST MALARTIC MINES LIMITED

(no personal liability)

OFFICERS	ROBERT C. STANLEY, JR.	President
	JOHN C. L. ALLEN	Vice-President
	IAN T. H. HAMILTON	Secretary

DIRECTORS	PETER A. ALLEN	A. R. YOUNG
	JOHN C. L. ALLEN	IAN T. H. HAMILTON
	D. M. GIACHINO	ROBERT C. STANLEY, JR.
	D. C. WEBSTER	

MINE MANAGER P. J. McCARTHY

TRANSFER AGENT MONTREAL TRUST COMPANY, Toronto and Montreal

AUDITORS THORNE GUNN & CO.
Toronto, Ontario

EXECUTIVE OFFICE Suite 1900, 101 Richmond Street West, Toronto, Ontario

EAST MALARTIC MINES LIMITED

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PRESIDENT'S REPORT

To the Shareholders:

Net income for the year was $1,615,513 or 40¢ a share as compared with $174,134 or 4¢ a share last year. As a result of this increase, your Company's working capital appreciated by $1,615,056 to $5,596,273. The increase is the direct result of substantially higher prices of gold and silver. The average prices received in 1973 per fine ounce of gold and silver were $97.80 and $2.64 as compared with $52.21 and $1.66 in 1972.

Operating costs per ounce of gold rose from approximately $50.00 per ounce in 1972 to approximately $73.00 per ounce of gold in 1973.

The wages paid by the Company have risen to approximately base metal wage rates, and the costs of all materials and supplies have been increasing significantly.

The increased revenue received during the year permitted the Company to step up development drives and stope development. The Company has commenced a decline below the 31st level and 1,529 feet have been completed. The objective of the decline is to reach and mine substantial indicated ore below and east of the present decline bottom which is at 4,950 feet below surface. In addition to this development, the Company has been able to carry out further exploration on the 8th, 31st and 32nd levels.

During the years 1967 to 1971, before the price of gold began to rise, your Company's low-grade gold operation was hard pressed to keep the operation profitable. Operating profit only averaged $35,000 per year during those six years. As a result, development and exploration were much curtailed.

Now your directors believe it is important to expand production capabilities under present conditions, and are attempting to make up for those lean years. Plans are presently under way to dewater the former Barnat shaft (part of your Company's property) and to deepen that shaft 650 feet

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to a total of 3,000 feet to permit the development and mining of two known low-grade porphyry type ore zones which are expected to be profitable at present prices for gold. In addition, exploration drives are planned to be pushed out from the Barnat shaft on the new levels to search for smaller but higher grade diorite type ore bodies similar to those found in the upper levels.

Increased prices for gold have also permitted a reduction in the grade of ore which is economic and, therefore, the inclusion of lower grade material in ore reserves. At December 31, 1973 proven ore reserves broken and in place above the present decline bottom were 2,674,784 tons with an average grade of 0.123 ounces of gold per ton. This represents an increase of 629,199 tons from the reserves calculated on December 31, 1972 after having mined 560,942 tons of ore during 1973. In addition to the proven ore, diamond drilling has indicated 1,391,032 tons of ore with a grade of 0.163 ounces of gold per ton below and east of the present decline bottom.

On March 1, it was announced that P. J. McCarthy, the Mine Manager, would retire and the President and board of directors thank Mr. McCarthy for his many years of loyal and valuable service to the Company, and to the Little Long Lac Group. The new Mine Manager is Harry E. Rutetzki, formerly the Manager of the Manitouwadge Division of Willroy Mines Limited. Mr. Rutetzki brings with him many years of experience and an excellent record of achievement from Manitouwadge.

On December 31, 1973 Mr. P. K. Hanley resigned as a director of the Company, and on February 14, 1974 Mr. L. B. Harder resigned as a director. Mr. I. T. H. Hamilton and Mr. Arnold Young were appointed to the board to fill these vacancies.

The President and the board of directors thank the employees of the Company for their efficient and diligent performance during the past year.

On behalf of the Board,

ROBERT C. STANLEY, JR.
President

EAST MALARTIC MINES LIMITED

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MINE MANAGER'S REPORT

The President and Board of Directors,
East Malartic Mines Limited
Suite 1900 — 101 Richmond Street West
Toronto, Ontario M5H 1T1

Dear Sirs:

This report covering operations of your company for the year 1973 is respectfully submitted.

Production

During the year 560,942 tons of ore were milled yielding 63,417 fine ounces of gold and 12,655 ounces of silver. The total value of this bullion was $6,235,235 for a recovery of $11.12 per ton.

To date the mine has produced 2,540,255 fine ounces of gold and 493,471 ounces of silver. Total tons milled amounted to 16,507,247 for a recovery of 0.154 ounces of gold per ton.

In Canadian funds average prices received per fine ounce of gold and silver were $97.80 and $2.64 as compared with $52.21 and $1.66 in the previous year.

Development

During 1973, exploration and development drives amounted to 3,072 feet. This includes 1,529 feet of decline below the 31st level.

Total stope development (Mining drifts, sub-drifts, raises) amounted to 7,487 feet, up from 6,464 feet in 1972.

Total underground diamond drilling amounted to 24,390 feet, as compared to 18,881 feet in 1972.

Ore Reserves

At December 31st, 1973, proven ore reserves, broken and in place above the present decline bottom (4950′), stood at 2,674,784 tons having an average grade of 0.123 ounces of gold per ton. This compares with 2,045,585 tons with an average grade of 0.131 ounces of gold per ton at December 31st, 1972. The reduction in ore reserve grade over the past year is mainly due to the inclusion of lower grade material which is now classified as ore at higher metal prices.

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In addition to this, diamond drilling has indicated 1,391,032 tons of ore with a grade of 0.163 ounces of gold per ton below and East of the present decline bottom.

Exploration

On the 8th (1270') level the main drift is presently being extended 600' eastward to section 5200E, this will enable detail drilling and mining of the upper part of 11-55 zone.

Detail drilling of 11-48 zone from the sub-levels and from the 8th level, to establish the exact mining limits was carried out during the year.

The major part of the exploration during the past year was carried out below the 31st (4845') level, between sections 4600E and 5100E. In addition to outlining the main zone along the Greywacke contact, drilling enabled us to outline a zone of low grade values in altered Greywacke which has been traced over a length of 500' along strike. This zone, 32-50S, is estimated to contain 144,951 tons with a grade of .097 ounces per ton above 32# 1 sub level (4950') elevation. Further drilling will be required to prove the downward continuity of the zone.

General

The total amount paid by the Company in 1973 for wages and salaries amounted to $2,662,575. This compares with $1,962,145 the previous year. In addition, the amount paid out for Workmen's Compensation, Unemployment Insurance, Quebec Pension and Medical Plan, insurance and other employee benefits amounted to $401,572.

Disbursements for supplies and services, power and capital expenditures were $1,527,486. Capital costs were $185,048 compared to $136,203 in 1972.

A new two year labour contract was signed with the Union. This agreement expires in November, 1975.

At year end there were 306 employees on the payroll compared to 293 the previous year.

In conclusion, I wish to take this opportunity to thank the President and Directors for their guidance and support and to express my appreciation to the Department Heads and Employees for their co-operation.

Respectfully Submitted,

P. J. McCarthy
Mine Manager

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ASSETS

Current Assets	1973	1972
Cash and short term deposits	$ 696,319	$ 825,000
Bullion, at net realizable value	653,851	407,550
Marketplace securities, at cost less allowance for decline in market value 1973, $350,000; 1972, $60,000 (quoted market value 1973, $4,302,700; 1972, $2,693,600)	4,301,029	2,695,901
Accounts receivable	11,080	54,713
Receivable from associated companies	32,004	
Supplies and other assets, at cost	503,062	461,731
	6,197,345	4,444,895
Investment in Shares of Other Companies, at cost		
Associated companies (quoted market value 1973, $1,680,600; 1972, $1,039,700) (note 1)	1,443,611	1,443,611
Other companies (including listed securities having a quoted market value 1973, $132,000; 1972, $231,300)	299,686	299,599
	1,743,297	1,743,210
Fixed Assets, at cost		
Buildings, machinery and equipment	5,699,778	5,515,046
Less accumulated depreciation	5,155,259	5,051,799
	544,519	463,247
Mining properties	179,618	179,618
	724,137	642,865
Deferred Charges		
Shaft sinking and other operating expenditures deferred less amounts written off	37,031	49,393
	$8,701,810	$6,880,363

AUDITOR

To the Shareholders of
East Malartic Mines Limited (No Personal Liability)

We have examined the balance sheet of East Malartic Mines Limited (No Personal Liability) as at December 31, 1973 and the statements of income and retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada
February 1, 1974

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CEMBER 31, 1973

at December 31, 1972)

LIABILITIES

Current Liabilities	1973	1972
Bank overdraft		$ 7,897
Accounts payable and accrued liabilities	$ 488,597	455,781
Payable to associated companies	12,475	
Mining duties payable	100,000	
	601,072	463,678

SHAREHOLDERS' EQUITY

	1973	1972
Capital Stock (note 2)		
Authorized — 5,000,000 shares of $1 each		
Issued — 4,073,000 shares (1972, 4,035,000 shares)	4,073,000	4,035,000
Less discount on shares	2,154,852	2,185,392
	1,918,148	1,849,608
Retained Earnings	6,182,590	4,567,077
	8,100,738	6,416,685
	$8,701,810	$6,880,363

Approved by the Board
P. A. Allen, Director
D. C. Webster, Director

REPORT

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn & Co.
Chartered Accountants

EAST MALARTIC MINES LIMITED

(no personal liability)

STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1973

(with comparative figures for 1972)

	1973	1972
Operating revenue		
Bullion recovery	$6,235,235	$3,636,564
Operating expenses		
Mine development	401,829	117,870
Mining	2,454,770	1,935,464
Milling	748,299	631,787
Other expenses at the property	768,262	676,107
Administrative and corporate expenses	136,245	102,255
Quebec mining duties	100,000	
	4,609,405	3,463,483
Operating profit before the undernoted items	1,625,830	173,081
Depreciation	104,745	89,645
Proportion of shaft sinking expenditures written off	27,600	80,400
Outside exploration	12,344	47,031
	144,689	217,076
	1,481,141	(43,995)
Income from investments	159,557	84,871
Income before extraordinary items	1,640,698	40,876
Extraordinary items		
Gain on sale of investments	264,815	23,258
Reduction (increase) in allowance for decline in market value of marketable securities	(290,000)	110,000
	(25,185)	133,258
Net income for the year (note 3)	1,615,513	174,134
Retained earnings at beginning of year	4,567,077	4,392,943
Retained earnings at end of year	$6,182,590	$4,567,077
Earnings per share		
Income before extraordinary items	40¢	1¢
Net income for the year	40¢	4¢

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STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1973

(with comparative figures for 1972)

	1973	1972
Source of funds		
Income before extraordinary items	$1,640,698	$ 40,876
Items not involving current funds		
Depreciation	104,745	89,645
Proportion of shaft sinking expenditures written off	27,600	80,400
	1,773,043	210,921
Proceeds on sale of shares in associated and other companies	33,550	926,546
Reduction in allowance for decline in market value of marketable securities		110,000
Gain on sale of marketable securities	251,265	29,754
Issue of capital stock	68,540	49,600
Proceeds on sale of fixed assets	4,194	
	2,130,592	1,326,821
Application of funds		
Purchase of shares in associated and other companies	20,086	262,580
Purchase of fixed assets	190,212	104,725
Shaft sinking and other operating expenditures deferred	15,238	41,906
Increase in allowance for decline in market value of marketable securities	290,000	
	515,536	409,211
Increase in working capital	1,615,056	917,610
Working capital at beginning of year	3,981,217	3,063,607
Working capital at end of year	$5,596,273	$3,981,217

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1973

1. **Investment in Associated Companies**

The market values shown are based on closing market prices at December 31 in each year. Because of the number of shares involved, the amounts that would be realized if these securities were to be sold may be more or less than their indicated market value.

2 **Capital Stock**

During 1972, the company obtained supplementary letters patent increasing the authorized capital from 4,000,000 shares of $1 each to 5,000,000 shares of $1 each.

In 1973, 38,000 shares were issued to employees under an incentive stock option plan for $68,540 cash.

At December 31, 1973 employee incentive stock options were outstanding as follows:

No. of shares	Price per share	Period exercisable during years ended
30,000	$1.25	May 15, 1975
9,000	1.90	June 7, 1975
14,000	3.42	June 14, 1976

3. **Income Taxes**

No provision has been made for income taxes as the company intends to claim capital cost for tax purposes in excess of depreciation recorded in the books and losses carried forward. For 1974 and future years capital cost remaining to be claimed exceeds net book value of the related fixed assets by approximately $2,700,000.

4. **Supplementary Information**

Direct remuneration of the company's directors and senior officers (including the five highest paid employees) as defined by The Securities Act of Ontario was as follows:

	1973	**1972**
Directors and officers	$ 59,000	$25,378
Mine employees	75,739	53,826
Total	$134,739	$79,204

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LONG LAC MINERAL EXPLORATION LIMITED 1973 REPORT

Late in 1973, Lac Minerals optioned the former Golden Sunbeam Mine in central Idaho, U.S.A. The potential for a large-tonnage, low-grade, gold-silver operation exists on this property. Preliminary assay and metallurgical results have been favourable; however, a considerable amount of work will be required to evaluate this prospect.

An agreement has been entered into directed towards a large-scale reconnaissance prospecting-exploration search for minerals in northern Canada. This project will cover a three-year period and will employ the most recent techniques and theories in mineral exploration. In addition, a study will be conducted as to the applied use of the new Earth Satellite Remote Sensing devices in mineral exploration.

In addition to the reported exploration expenditures, a purchase of 200,000 shares of Taurus Oil Ltd. was made for $200,000, with an option to purchase a further 200,000 shares at $1.50 per share. Taurus is a new company formed in 1973 by Mr. John Downing, the President and Founder of the former Polaris Oil Ltd. Taurus is active in the search for oil and/or gas deposits in four countries, with principal exploration activities centred in Canada and the United States. The sale of your Companies interest in the predecessor company Polaris Oils Ltd. resulted in a net profit of $135,000.

Follow-up geological and geophysical work along with diamond drilling was conducted on a large parcel of land in Newfoundland. Results proved to be sub-economic and no further work is contemplated at this time.

A property including the former Darkwater gold mine was optioned, and eight contiguous claims staked, four miles west of the Mattabi Mines in the Sturgeon Lake volcanic belt. A limited amount of drilling was conducted on the property in the fall of 1973, and further work to evaluate both the base metal and gold potential is planned during 1974.

Two coal properties, Moose Mountain and Brule Lake, in which Lac Minerals has an interest, were drilled by the Granby Mining Company. Some encouragement was obtained in the Brule Lake drilling, and further drilling will be conducted in 1974.

Exploration expenditures for the year were $150,000, excluding the Taurus Oil purchase.

In the summer of 1973, Lac Minerals' Western Division was established in Vancouver under the direction of Mr. V. F. Erickson, B.A.Sc., M.B.A.

Lac Minerals exploration costs are shared by the following companies: Lake Shore Mines, Limited, 25%; Little Long Lac Mines Limited and Willroy Mines Limited, 20% each; Malartic Gold Fields (Quebec) Limited, Wright-Hargreaves Mines, Limited and East Malartic Mines Limited, 10% each; and Lundor Mines Limited, 5%.

Dennis Sheehan
Exploration Manager

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